

## Audit and Governance Committee

### Friday, 24 March 2017, County Hall, Worcester - 10.00 am

		Minutes
<b>Present:</b>		Mr N Desmond (Chairman), Mrs S Askin, Mr L C R Mallett, Mr R J Sutton and Mr P A Tuthill
<b>Available papers</b>		The Members had before them:  A. The Agenda papers (previously circulated); and  B. The Minutes of the meeting held on 9 December 2016 (previously circulated).
<b>402</b>	<b>Apologies and Named Substitutes (Agenda item 1)</b>	None.
<b>403</b>	<b>Declarations of Interest (Agenda 2)</b>	None.
<b>404</b>	<b>Public Participation (Agenda item 3)</b>	None.
<b>405</b>	<b>Confirmation of Minutes (Agenda item 4)</b>	<b>RESOLVED</b> that the Minutes of the meeting held on 9 December 2016 be confirmed as a correct record and signed by the Chairman.
<b>406</b>	<b>Exclusion of Public and Press</b>	<b>RESOLVED:</b> that the public and press be excluded from the meeting during the consideration of the following item of business (Agenda item 8) on the grounds that if they were present during such consideration it would be likely that there would be disclosure to them of exempt information as defined in Section 100(l) and Schedule 12A of the Local Government Act 1972 relating to any individual and the public interest in maintaining the exemption outweighed the public interest in disclosure.
<b>407</b>	<b>Internal Audit Progress</b>	<u>Summary of the proceedings during which the Press and Public were excluded.</u> <u>(This is a fair summary of the proceedings and there</u>

**Report 31  
October 2016 to  
28 February  
2017 (Agenda  
item 8)**

**are no exempt minutes.)**

The Committee considered the Internal Audit Progress Report 31 October 2016 to 28 February 2017.

In the ensuing debate, the following principal points were raised:

- There were a number of audit reports that remained at the draft stage, would these audits be completed within the life of this Council? Garry Rollason responded that internal audit had completed all its work and the reports were now with managers for comments and completion of an action plan. The outcomes would be reported to the next meeting of the Committee
- Peter Bishop, Director of COaCH welcomed the internal audit reports on IT Access controls and IT infrastructure security. He highlighted the complexity of the current IT arrangements with out of date hardware, software and policies which was why a major investment had begun, a new digital strategy agreed by Cabinet in September 2013 and new partnering arrangements. However officers had not been complacent and many of the issues highlighted in the audit reports had already been identified and were being addressing. The Council had already integrated best practice policies to raise the standards of IT security and access
- Alan Barber, ICT Infrastructure and Security Architect commented that a number of the issues raised by the audit reports had been known for some time and were being actively worked upon
- In response to a query, Peter Bishop commented that the risk associated with unused accounts in Frameworki was small given the other levels of security measures that would need to be breached to allow access to the system
- Were officers confident that the assurance level of any future audit of IT access controls would improve? Dawn Brant, ICT Commercial and Contracts Manager commented that she was confident that the changes made to the security procedures meant that the organisation was able to identify and address issues straight away
- Alan Barber outlined those areas requiring improvement identified by the audit work, that were not previously known to officers
- What was the reason for the issues identified at the time of the audit not being addressed? Alan

Barber responded that the need to move information to new servers had been a complex and time-consuming operation. The audit was a snap shot in time and since then plans have been introduced to address issues identified. Dawn Brant added that the Council was constantly responding to changes in technology to ensure that it was not left vulnerable to cyber-attack. The security advice of Hewlett Packard (HP) was particularly valuable in this respect

- Were the issues associated with 3<sup>rd</sup> party contracts as a result of difficulties with contractual arrangements or weaknesses in the Council's IT systems? Peter Bishop responded that it was a combination of both. The Council had identified that its IT policies and procedures were out of date and had proactively upgraded and brought best practice processes and policies recommended by SOCITM (SOCITM was a society for IT practitioners in the public sector). They helped Public Sector organisations network, provided consultancy, and produced research into how the Public Sector could save money and innovate despite budget cuts and ultimately deliver effective digital technology and service. They also advocated to the government in the interests of public sector IT), and the audit had been against these new polices which were more robust and challenging. In terms of how we would achieve a high standard it was always necessary to find a partner organisation to provide the necessary expertise to upgrade the Council's IT systems. A 12-18 month transformation plan had been agreed with HP. However the implementation had taken longer than anticipated. The matter had been addressed contractually with HP
- In response to a query, Peter Bishop indicated that he was confident that with the introduction of new processes, procedures and monitoring, and the issues identified by the audit work would be addressed. Garry Rollason added that the Internal Audit work had been carried out at the end of 2016. It was recognised that the issues identified were being addressed. A decision had yet to be made as to whether a follow-up audit would take place
- Garry Rollason queried whether the IT audit reports should be published in full or redacted to address any potential security issues. Alan Barber indicated that he would redact the reports

accordingly prior to publication. It was agreed that the redacted reports be published

- In response to a query, Peter Bishop confirmed that there had not been any breaches in security as a result of issues raised in the audit reports.

**RESOLVED that:**

- a) The Internal Audit Progress Report be noted; and**
- b) Reports be brought to the October 2017 and March 2018 meetings on IT Access Controls and IT Infrastructure Security.**

**408 External Audit Plan - Worcestershire County Council (Agenda item 5)**

The Committee considered the External Audit Plan for Worcestershire County Council.

In the ensuing debate, the following principal points were raised:

- In response to a query, Jenni Morris, Financial Manager – Reporting, Planning and Projects commented that although Mercia Waste Management had taken over the operation of the EfW plant at Hartlebury, from an accounting perspective, the Council was deemed to own it and therefore a record was kept on the Council's accounts
- In response to a query about the Council's Medium Term Financial Planning, Helen Lillington commented that the External Auditor's role was to examine processes that the Council had in place in order to close the financial gap of £2.9m to balance the budget for 2016/17. This Council's financial position compared favourably with other councils
- In response to a query about officer remuneration, Helen Lillington stated that there were two notes that were required to be included in the accounts. Firstly a note was required on the accounts in relation to how much Chief Officers were paid by name and job title. Secondly, the number of employees earning over £50,000
- Helen Lillington indicated that the audit work on the 2016/17 accounts was not as far advanced as expected. Grant Thornton had therefore arranged a further visit to the Council in April in order to keep the auditing process on track.

**409 External Audit Plan - Worcestershire County Pension Fund (Agenda item 6)**

**RESOLVED** that the content of the Audit Plan for Worcestershire County Council be noted.

The Committee considered the External Audit Plan for Worcestershire County Pension Fund.

In the ensuing debate, the following principal points were raised:

- As Pension Fund investments became more diverse in nature, to what extent was the Fund exposing itself to increased levels of risk? Helen Lillington commented that compared to other pension funds, this Fund had a relatively low percentage of Level 3 investment risk. The key issue for the management of pension fund investments was understanding the risk associated with any particular type of investment
- The riskier investments did not necessarily provide a greater rate of return. Helen Lillington responded that the rate of return very much depended on the market climate.

**RESOLVED** that the content of the Audit Plan for Worcestershire County Pension Fund be noted.

**410 External Audit Report - Informing the audit risk assessment for Worcestershire County Council and Pension Fund (Agenda item 7)**

The Committee considered the External Audit Report – Informing the audit risk assessment for Worcestershire County Council and Pension Fund.

In the ensuing debate, a concern was raised about the Council's approach to tackling fraud. Garry Rollason responded that whenever an allegation of fraud was made, an investigation would be initiated and if necessary the Police would be asked to intervene. There had not been any recent cases of fraud investigated.

**RESOLVED** that the content of the External Audit Report – Informing the Audit Risk Assessment for Worcestershire County Council and Pension Fund be noted.

**411 Work Programme (Agenda item 9)**

The Committee considered its work programme.

**RESOLVED** that the work programme be noted subject to reports being brought to the October 2017 and March 2018 meetings on IT Access Controls and IT Infrastructure Security.

The meeting ended at 11.25am.

Chairman .....